

Retirement & Estate Planning



Objectives

- Assess your current financial situation
- Start thinking about your retirement goals
- Review sources of retirement income
- Learn the basics of estate planning
- Provide helpful resources to help you plan outside this seminar

Assessing Your Current Situation

- Do you understand your current financial condition?
- Does your budget cover expenses and contribute to savings?
- Do you have an up-to-date estate plan?
- Could you cover emergency expenses?
- Do you have adequate health insurance?
- Do you understand Social Security?
- Do you have a tax-deferred savings plan?
- Can you live comfortably if your spouse dies?
- Are your children financially independent?



Setting Retirement Goals

- Where do you want to live?
- How do you want to spend your time?
- What are your goals?
- What are your expectations?
- What your spouse/partner's dreams?



How Much Money Will You Need?

1. Yearly income needed (70-80% of current gross income): \$
2. Expected Social Security benefits: \$
3. Expected retirement benefits from IRA, 401(k), etc.: \$
4. Annual investment income needed (line #1 minus the sum of lines #2 and #3): \$

If your gross income while you're working is \$6,000 a month — that's \$72,000 a year — you'll probably need \$4,800 a month, or about \$57,600 a year, after you retire (based on 80% scenario)

Inflation's Bite

- Inflation has averaged 3% in the US since 1926
- In 1980 inflation hit an all time high of 13.5 %
- Inflation averaged 6 % throughout the '80s
- The rule of 72

The Rule of 72: At an average rate of 3%, for example, a basket of groceries that cost you \$60 in 2006 would be up to \$120 by 2030 ($72 \div 3 = 24$ years)

Sources of Retirement Income

- Government sponsored programs
- Company sponsored plans
- Self-employed options
- Annuities
- IRAs
- Personal investments (stocks, bonds, CDs, etc.)



Investment Basics

- Investment Factors
 - Savings Rate
 - Investment Time Horizon
 - Risk Tolerance
 - Tax Consequences
 - Investment Objective
- Creating a balanced portfolio
- Factoring your age into the equation

Five Common Retirement Planning Mistakes

1. Planning too late
2. Failing to diversify
3. Not planning for the long haul
4. Depending on Medicare for the cost of long term care
5. Neglecting to draft a will or advance directives



Estate Planning

- What is your estate?
 - (Everything you own + Everything that is owed to you) – Everything that you owe = Your estate
- What is estate planning?
- Why plan?



Estate Planning Basics

- Execute a will
- Create trust
- Execute advance directives
- Name beneficiaries
- Consider joint ownership of property
- Understand estate taxes
- Consult your lawyer

Wills

- Specify how a person's estate will be distributed at his or her death
- Name an executor for the estate
- Should be updated every five years or at any major life change
- Require the person creating them to have the legal capacity to do so



Trusts

- Detail how a person's assets are to be used during his or her lifetime and distributed after his or her death
- Grantor establishes a fund to be administered under the direction of trustee
- Trustee manages/administers/distributes trust assets
- Used to control the assets for benefit of another, or for tax and distribution purposes
- Can provide estate tax benefits by allowing ownership of property to be legally transferred to trust, so it is not considered to be part of the estate
- Some trusts allow grantor and/or surviving spouse to use trust property and receive income generated from it during their lifetimes
- Person creating the trust must have the legal capacity to do so

Advance Directives

- Power of attorney
 - Non-durable
 - Durable
- A living will
- Health care proxy



Naming Beneficiaries

- Be as specific as possible
- Consider what you will do if you outlive your beneficiaries
- Be aware of state laws
- Be aware of special circumstances
 - Common-law or non-marital relationships
 - Divorce
- Regularly update

Understanding Estate Taxes

- **Estate taxes** are taxes on the value of the assets in your estate, and they're usually paid by the estate. There's a federal estate tax and, in some states, a state estate tax.
- **Inheritance taxes** are state taxes your heirs pay on the value of the property they receive from your estate. You can specify in your will that your estate should pay whatever inheritance taxes are due to save your heirs from potentially having to sell the property they inherit to pay the tax.

Money-Saving Estate-Planning Options

- Marital deduction
- Tax-exempt gifts
- Charitable gifts
- Testamentary trust



Estate Planning Tips

- Minimize family conflict
- Investigate tax breaks
- Consider lump sum inheritance vs. a trust for your children
- Create a succession plan if you own a business
- Provide for the management of your assets
- Assemble important documents
- Insure liquidity
- Make the probate process as easy as possible

Resources

- Financial advisors
- Attorneys
- Certified Public Accountants (CPA)
- Certified Financial Planners (CFP)
- Stockbrokers
- Bank and trust officers
- Real estate, life insurance and health insurance agents

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